



GENERIC COMPANIES-Absolute Returns

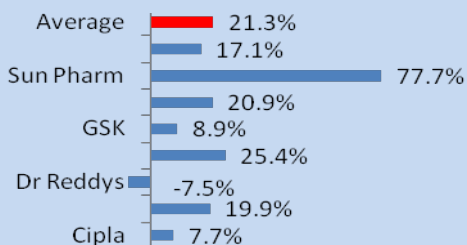
| Company | 1M (%) | 6M(%) | 12M(%) |
|-----------|--------|-------|--------|
| Aurobindo | 8.4 | 20.8 | 36.7 |
| Biocon | 16.3 | 32 | 52.2 |
| Bilcare | 12.7 | 29.3 | 60.4 |
| Cipla | 10.7 | 1.5 | 14 |
| Cadila | 12.3 | 19.5 | 103.2 |
| Dr Reddys | 9.6 | 33.2 | 64.5 |
| Glenmark | 7.4 | 15.6 | 29.2 |
| GSK | 17.6 | 27.4 | 50.7 |
| Lupin | 13.7 | 32.3 | 63.6 |
| Sun Pharm | 20 | 18 | 50.5 |
| Ranbaxy | 19.6 | 32 | 54 |

CRAMS- Absolute Returns

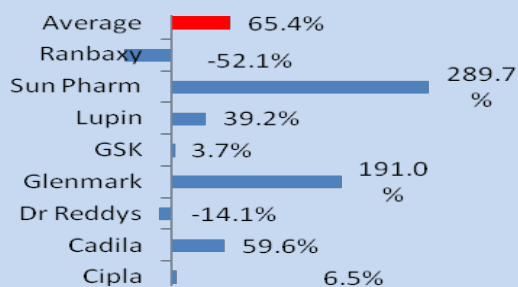
| Company | 1M (%) | 6M(%) | 12M(%) |
|-------------|--------|-------|--------|
| Divi's Labs | -5.1 | 3.3 | 24.4 |
| Dishman | -7.7 | -19 | -22.4 |
| Jubilant | -10.6 | -5.2 | 50 |
| Piramal | -2.1 | 13.3 | 37.5 |
| Healthcare | | | |

1QFY11 Review

Revenue Growth



Profitability Growth



Strong growth in Domestic markets: Most Indian companies, except Cipla are likely to post healthy growth in domestic markets. On a low base, growth is likely to be strong for Glenmark, Cadila and Dr Reddy's and Lupin. Ranbaxy may also post good numbers owing to success of project "Viraat".

US-Exclusivities (or their absence) will play a crucial role: In US, we expect healthy growth for Lupin (ramp up in Antara) and Glenmark (ramp up in Tarka). Sun Pharma is likely to witness revenue de-growth owing to absence of revenues from Eloxatin, though it will be partially compensated by revenues from Effexor XR, Optivar and Exelon. Generic competition in Valtrex will result in dismal growth for Ranbaxy in US.

CRAMS- Recovering: In the CRAMS space, we expect Divi's to report good numbers, while Dishman may post marginal growth, bulk of which is expected to come from Carbogen Amcis, while Indian CRAMS is expected to remain flat. Piramal numbers are not comparable due to restructuring of its business.

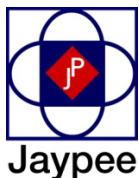
Margin growth to remain flat: While absence of Eloxatin for SUNP and valtrex for Ranbaxy may depress their margins, Lupin is likely to benefit from limited competition in Lotrel. Dr Reddy' may also witness margin expansion due to limited competition in Lotrel/Prograf, as 2QFY10 included inventory adjustment at Betapharm and Sumatriptan.

Currency Appreciation –Gain some, Lose some: Sequential appreciation of Rupee vis-à-vis dollar will result in MTM Gains for Indian companies on their foreign currency loans/FCCBs, though they may lose on their unhedged receivables. Cipla is likely to be hit as most of its receivables are outside India, and the company hedges on a month-to-month basis. Ranbaxy, Bilcare and Aurobindo to likely to post MTM gains.

Valuations: We maintain our Buy rating on Glenmark and Bilcare. We expect the quarterly results to indicate improvement in base business along with a marginal improvement in margins for these companies. For SUNP, we believe that absence of protonix and Eloxatin revenues can hurt business going ahead. Thus, we maintain Neutral rating on the stock.

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Sun Pharma

| (INR mn) | 2QFY11E | 2QFY10 | YoY (%) | 1QFY11 | QoQ (%) |
|----------|---------|--------|---------|--------|---------|
| Revenues | 10622 | 11852 | -10.4 | 13997 | -24 |
| EBIDTA | 3629 | 4473 | -18.9 | 6160 | -41 |
| Adj PAT | 3573 | 4538 | -21.3 | 5643 | -37 |

After a strong 1Q11, revenue growth is expected to be muted, due to absence of Eloxatin and protonix in the US. Domestic revenues are likely to be healthy marginally propped by lower revenues in 2QFY10, (due to spillover effect of channel inventory filling in 4QFY09) Margins are expected to contract by 360 bps YoY, given no exclusivity revenues.

Things to look for: Updates on Taro, Clarity on Protonix litigation and Caraco progress

Glenmark

| (INR mn) | 2QFY11E | 2QFY10 | YoY (%) | 1QFY11 | QoQ (%) |
|----------|---------|--------|---------|--------|---------|
| Revenues | 6644 | 5903 | 13 | 5924 | 12 |
| EBIDTA | 1641 | 1563 | 5 | 1301 | 26 |
| Adj PAT | 1015 | 809 | 25 | 1556 | -35 |

Expect strong growth across US, India and semi-regulated markets (ex LatAm). US revenues will slightly benefit from Tarka launch. Better margins (expected to improve by 180 bps) and lower interest cost YoY, will propel strong PAT growth.

Things to look for: Pace of recovery in US and LatAm markets

Bilcare

| (INR mn) | 2QFY11E | 2QFY10 | YoY (%) | 1QFY11 | QoQ (%) |
|----------|---------|--------|---------|--------|---------|
| Revenues | 3291 | 2633 | 25 | 3085 | 7 |
| EBIDTA | 763 | 606 | 26 | 776 | -2 |
| Adj PAT | 317 | 278 | 14 | 307 | 4 |

Strong growth in international markets and steady domestic business will drive growth. Margins likely to remain at similar levels. Interest cost likely to go up sharply due to additional debt (for INEOS acquisition)

Things to look for: Progress of anti-counterfeit technology and clarity on INEOS numbers

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Pharma Sector Results Preview Q2FY11

October 15 '10

Jaypee Capital Desk

equityresearch@jaypeeindia.com
research@jaypeeusa.com

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RESEARCH

Head of Equity Research

Abbas Merchant (9122) 4354 2010

Information Technology

Vijay Gautam (9122) 4354 2019

Krupa Shah (9122) 4354 2019

Pharmaceuticals

Praful Bohra (9122) 4354 2011

Divya Agarwal (9122) 4354 2011

Cement

Jinal Joshi (9122) 4354 2012

FMCG

Sachin Bobade (9122) 4354 2013

Media

Priyanka Jhadhav (9122) 4354 2014

Oil & Gas

Chirag Dhaifule (9122) 4354 2015

Metals

Rahul Singhvi (9122) 4354 2016

Sumit Poddar (9122) 4354 2016

Power & Shipping

Jyotsna Sawdekar (9122) 4354 2017

Prasun Kumar (9122) 4354 2017

Infrastructure

Amit Kumar (9122) 4354 2024

Telecom

Archit Singhal (9122) 4354 2009

Small Caps

Kavita Karwa (9122) 4354 2001

Automobile

Gaurant Dadwal (9122) 4354 2015

Capital Goods

Chirag Muchhala (9122) 4354 2007

Ruchika Dalmia (9122) 4354 2007

Real Estate

Hitendra Gupta (9122) 4354 2023

Paras Shah (9122) 4354 2023

Commodity & Economy

Prasad Shete (9122) 4354 2007

Technical

Pranjal Shah (9122) 4062 1004

Quantitative

Anilesh Unnikrishnan (9122) 4062 1016

Raunak Chandra (9122) 4062 1016

Vinit Jain (9122) 4062 1016

SALES

Sales (Asia)

Vishad Turakhia (9122) 4062 1012

Hitash Dang (9122) 4354 2025

Rajat Vohra (9122) 4062 1011

Gautam Trehan (9122) 4354 2025

Sales (United States)

Khushbu Gupta (1 347) 647 1003

Amit Bansal (1 405) 269 1322

Sales Trading (Equity)

Krishnakant Purohit (9122) 4062 1011

Pramod Bane (9122) 4062 1000

Jaiprakash Kataria (9122) 4062 1003

Gaurav Shah (9122) 4062 1007

Mahesh Bohra (9122) 4062 1005

Yogesh Dhumal (9122) 4062 1002

Sumeet Ramchandani (9122) 4062 1052

Jitendra Tolani (9122) 4062 1052

Sales Trading (Derivatives)

Premal Shah (9122) 4062 1004

Shirish Garodia (9122) 4062 1008

Ravi Agarwal (9122) 4062 1009

Rahul Sanghvi (9122) 4062 1009

Dhruval Gala (9122) 4062 1032

Deep Shroff (9122) 4062 1032

Deepak Purohit (9122) 4062 1099

Vishal Vadel (9122) 4062 1099

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Jaypee Capital Desk

equityresearch@jaypeeindia.com
research@jaypeeusa.com

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Jaypee Capital Desk

equityresearch@jaypeeindia.com
research@jaypeeusa.com

Jaypee Offices Worldwide:

New York

150 Broadway
Suite 2200
New York, NY 10038
+1 212 537 6271
sales@jaypeeusa.com

Chicago

30 South Wacker Drive
Suite 1700
Chicago, IL 60606
+1 312 254 5044
sales@jaypeeusa.com

New Delhi

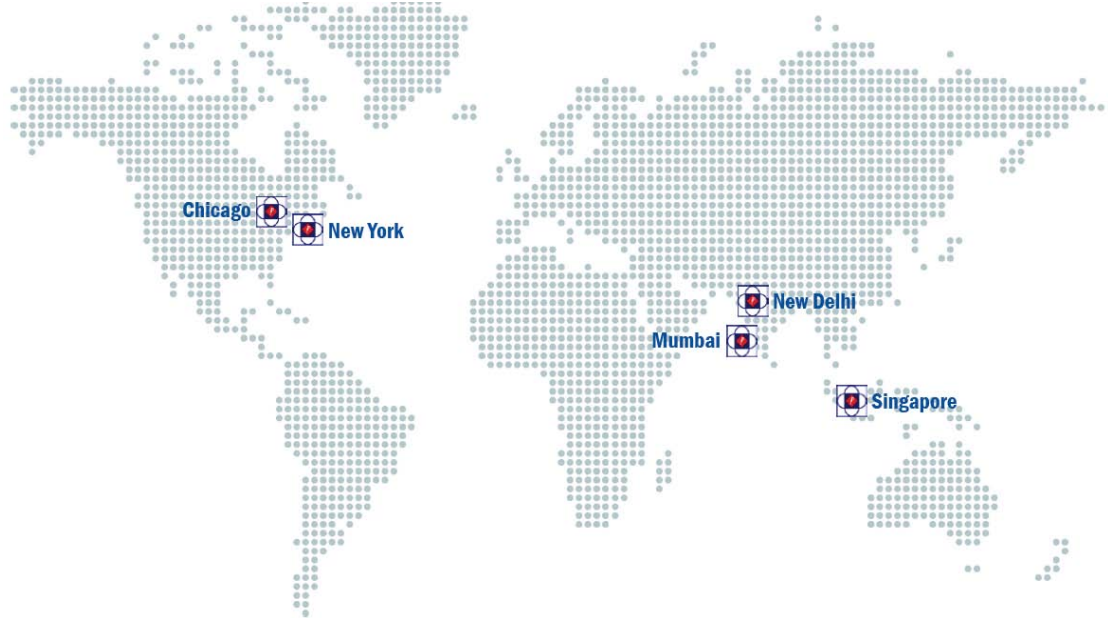
1114, Naurang House
21, K.G. Marg
New Delhi - 110 001, India
+91 11 6630 3030
sales@jaypeeindia.com

Mumbai

505, Arcadia
195, Nariman Point,
Mumbai - 400 021, India
+91 22 4062 1020
sales@jaypeeindia.com

Singapore

2 Shenton Way
#10-02 SGX Centre 1
Singapore 068804
+65 6438 0095
sales@jaypeesg.com



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